

Message Text

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PAGE 01 NEW DE 09131 071201Z

46

ACTION NEA-12

INFO OCT-01 EUR-25 ADP-00 EB-11 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 L-03 MC-02 FAA-00

DODE-00 PM-07 H-03 NSC-10 PA-03 PRS-01 SS-15 USIA-15

RSR-01 /171 W

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R 071118Z AUG 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6029

INFO AMEMBASSY BEIRUT

FAA BRUSSELS

AMCONSUL BOMBAY

C O N F I D E N T I A L NEW DELHI 9131

PASS COMMERCE AND EXIMBANK

BEIRUT FOR RCAA FAA

E.O. 11652: GDS

TAGS: BEXP, IN

SUBJ: INDIAN AIRLINES REEQUIPMENT

REF: A) NEW DELHI 7990; B) NEW DELHI 7517

BEGIN SUMMARY: BOEING HAS ALL BUT SOLD ONE 737 TO
REPLACE PLANE WHICH CRASHED MAY 31, AND IS NEGOTIATING
HARD ON OFFER OF THREE OR FOUR MORE. AEROSPATIALE HAS
OFFERED YET ANOTHER CARAVELLE/AIRBUS DEAL, WHILE SOVIET
AIRCRAFT HAVE APPARENTLY FALLEN BEHIND IN THE COMPETITION.
FOR THE TIME BEING EMBASSY DOES NOT THINK USG INTERVENTION
APPROPRIATE. END SUMMARY

1. MICHAEL FITZGERALD, BOEING REGIONAL SALES MANAGER, CALLED
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PAGE 02 NEW DE 09131 071201Z

ON ECON COUNSELOR AUGUST 3. FITZGERALD SAID BOEING EXPECTS TO

CLOSE DEAL VERY SHORTLY ON SALE OF 737 TO REPLACE THAT WHICH CRASHED MAY 31. PLANE WOULD BE DELIVERED OCTOBER 1974. INDIAN AIRLINES WOULD LIKE TO CONSIDER REPLACEMENT 737 AS ONE OF FOUR PREVIOUSLY OFFERED BY BOEING ON CONCESSIONAL TERMS (REF B). BOEING HOME OFFICE WISHES TO CONSIDER REPLACEMENT AIRCRAFT, WHICH WILL BE FINANCED INDEPENDENTLY OUT OF INSURANCE ON CRASHED PLANE, AS SEPARATE FROM FOUR-PLANE PROPOSAL, BUT FITZGERALD HOPES COMPANY WILL ULTIMATELY AGREE TO LET INDIANS HAVE FOUR-PLANES - REPLACEMENT PLUS THREE - AT CONCESSIONAL RATE IF AIRLINE IS UNABLE TO CONTRACT FOR FIVE PLANES AT THIS TIME.

2. BOEING HAS TOLD INDIANS THEY CAN HAVE FIVE PLANES (PARA 1) AT 1974 PRICES, AVOIDING 7 1/2 PERCENT PRICE HIKE FOR 1975, IF THEY SIGN CONTRACT BY AUGUST 10. FITZGERALD BELIEVES AND WE CONCUR, THAT GENERAL CONCERN WITHIN GOVERNMENT ABOUT FOOD SITUATION AND ATTENDANT PRESSURE ON FOREIGN EXCHANGE RESERVES WILL BLOCK DECISION BY AUGUST 10, IN WHICH CASE OFFER OF FOUR PLANES AT 1974 PRICES STILL STANDS.

3. FITZGERALD SAID HE LEARNED FROM INDIAN AIRLINES THAT AEROSPATIALE HAS MADE NEW OFFER TO LEASE CARAVELLES, THIS TIME TEN PLANES FOR \$15,000 MONTHLY APIECE. INDIAN AIRLINES DID NOT SAY SO, BUT DEAL WOULD APPEAR TO BE TIED TO SALES OFFER ON A300B AIRBUS. LEASE OF TEN PLANES WOULD TIE INDIAN AIRLINES OVER WITHOUT PURCHASE OF ADDITIONAL AIRCRAFT UNTIL AIRBUS BECOMES COMMERCIALY AVAILABLE. EMBASSY ESTIMATE CONTINUES TO BE THAT INDIAN AIRLINES PLANS TO ACQUIRE NUMBER OF SMALLER AIRCRAFT, E.E., 737'S, BEFORE TAKING DECISION ON WHETHER TO ADD WIDE-BODIED PLANES TO FLEET LATER IN FIFTH FIVE YEAR PLAN PERIOD. AIRBUS IS RUNNING HARD, HOWEVER, AND IS PROBABLY BOEING'S STRONGEST COMPETITION AT THE MOMENT.

4. FITZGERALD SAID HE NO LONGER CONSIDERS SOVIET OFFER OF TU-154'S AND YAK-40'S TO BE MAJOR COMPETITIVE THREAT. INDIAN AIRLINES IS FULLY AWARE OF POOR ECONOMICS OF AIRCRAFT, AND SOVIETS HAVE MISHANDLED SALES EFFORT BY FAILING TO PROVIDE ECONOMIC DATA REQUIRED FOR SERIOUS STUDY OF PLANES. SOVIETS, MOREOVER, RENEGED ON EARLIER CONFIDENTIAL

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PAGE 03 NEW DE 09131 071201Z

SWEEPING OFFERS TO SET UP MAINTENANCE FACILITIES AND PROVIDE SPARE PARTS DEPOTS WHEN THEY DISCOVERED HOW MUCH IT WOULD COST. FITZGERALD THINKS INDIA WILL GET OUT OF SITUATION BY PROPOSING TO BUY MILITARY AIRCRAFT FROM THE USSR IN LIEU OF COMMERCIAL PLANES.

5. AT PRESENT MOMENT, BOEING CONSIDERS INDIAN AIRLINES REEQUIPMENT MATTER IS ON THE TRACK AND WISHES NO INTERVENTION

BY EMBASSY. WE AGREE THAT AS LONG AS COMMERCIAL CONSIDERATIONS CONTINUE TO PREDOMINATE, ACTION ON OUR PART DOES NOT SEEM NECESSARY OR APPROPRIATE. EMBASSY IS FOLLOWING SITUATION CLOSELY, HOWEVER, AND WILL REPORT PROMPTLY IF IT APPEARS AN APPROACH BY EMBASSY TO GOI IS WARRANTED.

6. REPLY TO STATE 154763 FOLLOWS SEPTEL.
MOYNIHAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 07 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NEWDE09131
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS MOYNIHAN
Errors: N/A
Film Number: n/a
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730853/aaaabnbk.tel
Line Count: 123
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 A) NEW DELHI 7990; B) NEW DELHI 7, 517
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 19 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Dec-2001 by kelleyw0>; APPROVED <09-Jan-2002 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDIAN AIRLINES REEQUIPMENT
TAGS: ASEC, IN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005